

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
A National Broadband Plan for Our Future)	GN Docket No. 09-51
)	
Establishing Just and Reasonable Rates for Local Exchange Carriers)	WC Docket No. 07-135
)	
High-Cost Universal Service Support)	WC Docket No. 05-337
)	
Developing an Unified Intercarrier Compensation Regime)	CC Docket No. 01-92
)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
)	
Lifeline and Link-Up)	WC Docket No. 03-109

**NOTICE OF PROPOSED RULEMAKING AND
FURTHER NOTICE OF PROPOSED RULEMAKING, FCC 11-13

COMMENTS OF RURAL TELEPHONE SERVICE COMPANY, INC.**

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April 18, 2011

I. INTRODUCTION

Rural Telephone Service Company, Inc. (RTSC) of Lenora, KS respectfully submits comments to the Federal Communications Commission (FCC or Commission) in response to the Commission's *Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking* (NPRM), FCC 11-13, released February 9, 2011, in the above captioned proceedings.

The specific areas of interest to RTSC in these comments are as follows:

1. Paragraphs 225-227, on pages 79-80, related to Revising the "Parent Trap" Rule, Section 54.305.
2. Appendix A, No. 7, on page 231, related to proposed amendment to section 54.305 Sale or transfer of exchanges.

II. BACKGROUND

RTSC is a rural local incumbent exchange carrier that has been providing service in northwest Kansas since 1951. On October 1, 2006, RTSC acquired ten exchanges in Kansas from a non-rural carrier. At the time of the acquisition, over 99% of the housing and business units were unserved by broadband from the prior carrier. Many of the subscribers in the acquired exchanges lacked advanced telephone features, such as voice mail and conferencing, and were being serviced by lead cabling that disconnected calls during wet weather. Between October 2006 and December 2010, RTSC has invested over \$55 million in fiber to the premise technology to enable improved telephone service and broadband capabilities for all ten acquired exchanges. This investment was primarily funded with a Rural Utility Service loan, scheduled to mature by 2020, requiring annual debt service payments of over \$6.7 million. As a result of these improvements, broadband is available to 100% of the acquired exchanges and over 70% of the households and businesses have subscribed to broadband. In addition, RTSC has experienced 300% growth in peak bandwidth requirements in the acquired exchanges during 2010.

Due to this acquisition, RTSC is a current recipient of Safety Valve Support (SVS), with projected 2011 SVS receipts exceeding \$3 million under the current provisions of section 54.305. When RTSC developed the business model for upgrading the acquired exchanges, SVS was a key element to the financial feasibility. In addition to RTSC, the second quarter 2011 USAC SVS projection shows six other current SVS recipients in the nation who are cost companies or average schedule local exchange carriers.

III. DISCUSSION

RTSC respectfully requests the proposed rules be clarified to address the impact of SVS for those companies who have already made investments to improve services in acquired exchanges. This will continue to provide RTSC with financial assistance necessary to meet debt service obligations and recover the investments made to provide improved telephone and broadband service to 100% of this service territory, an area that had little or no chance of ever seeing improved service from the previous carrier.

A. Clarification for Current SVS Recipients

RTSC has reviewed the proposed language and commentary related to section 54.305. RTSC has also conferred with various industry experts for interpretation. Based on these evaluations, differing interpretations have emerged for current SVS recipients who have attained an unserved rate below the 30% threshold within five years of their acquisition:

1. The SVS limitations imposed upon current SVS recipients will no longer be applicable because the investment was made within five years after the study area waiver, which resulted in an unserved household rate below the 30% threshold. Therefore, the current SVS recipient will be eligible for 100% High Cost Loop (HCL) support on the investment. Under this interpretation, current SVS recipients will receive full cost recovery for proactively making investments to improve and maintain telephone and broadband service within five years of acquiring the exchanges. In order to clarify this interpretation of the NPRM modification to section 54.305, RTSC suggests the following language be added to the proposed rule modification, assuming the new rule will begin in January 2012:

54.305 Sale or transfer of exchanges.

Five years after approval of the relevant study area waiver for the sale or transfer of exchanges, and recognizing the need for continued investment and maintenance upgrades, the limitations imposed under current SVS rules will no longer be applicable, and as such SVS recipients will be eligible for 100% high cost loop funding, if previous investments were made prior to January 1, 2012 resulting in an un-served household rate less than 30%.

2. Current SVS recipients will continue to receive SVS calculated at 50% of HCL support for investments made prior to the new rules. With this interpretation, current SVS recipients will be grandfathered under the current safety valve rule for making investments to improve and maintain telephone and broadband service within five years of acquiring the exchanges, but will still be subject to the 50% impairment of support needed for recovering capital investments and ongoing maintenance costs associated with customers using the improved services. In order to clarify this interpretation of the NPRM modification to section 54.305, RTSC suggests the following language be added to the proposed rule modification, assuming the new rule will begin in January 2012:

54.305 Sale or transfer of exchanges.

Support calculations for current SVS recipients will continue to be subject to the 50% limitation, if previous investments were made prior to January 1, 2012.

IV. IMPACT ON UNIVERSAL SERVICE FUND

Upon review of the second quarter 2011 USAC safety valve projections, RTSC believes the overall size of the universal service fund would grow by an insignificant amount of less than 0.2% by completely removing current section 54.305 limitations and allowing full cost recovery for current SVS recipients who have already completed making investments in acquired exchanges to improve and maintain telephone and broadband service and lower the unserved households below the 30% threshold.

V. CONCLUSION

The FCC Commission in Order 01-157, released May 23, 2001 modified the rules for providing high cost universal service support to rural local exchange carriers based on proposals made by the Rural Task Force. The Commission made the following statements:

"We agree with the Rural Task Force, the Joint Board, and several commenters that we should provide additional support to rural carriers that acquire high-cost exchanges and make post-transaction investments to enhance network infrastructure."....."We conclude that section 54.305 should be retained, but modified to provide additional support to rural carriers that make substantial investment after acquiring exchanges."

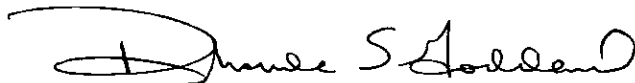
RTSC urges the FCC to clarify the section 54.305 "Parent Trap" rule to ensure the rule modifications provide funding for the recovery of costs undertaken by rural local exchange carriers acquiring underserved exchanges that have completed making the investments to improve and maintain telephone service and deploy broadband service to previously unserved households, businesses, and public anchor institutions that result in an unserved rate less than 30%.

REPECTIVELY SUBMITTED,



Larry E. Sevier
Chief Executive Officer, Rural Telephone Service Company, Inc.

4/18/11
Date



Rhonda S. Goddard
Chief Operating Officer, Rural Telephone Service Company, Inc.

4/18/2011
Date